

## Message Text

LIMITED OFFICIAL USE

PAGE 01 TEL AV 06401 270623Z  
ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 IO-13 CIAE-00 DODE-00 PM-05  
H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01  
SP-02 SS-15 USIA-06 OMB-01 TRSE-00 SSM-03 DHA-05  
/091 W

-----083579 270935Z /15

R 270517Z AUG 77  
FM AMEMBASSY TEL AVIV  
TO SECSTATE WASHDC 7978  
INFO AMEMBASSY AMMAN  
AMEMBASSY CAIRO  
AMEMBASSY DAMASCUS  
AMEMBASSY JIDDA  
AMEMBASSY LONDON  
AMCONSUL JERUSALEM  
USMISSION USUN  
USMISSION SINAI

LIMITED OFFICIAL USE TEL AVIV 6401

E.O. 11652: N/A  
TAGS: PGOV, EFIN, IS, JO, EG  
SUBJECT: TAX REFORM FOR TERRITORIES UNDER STUDY BY FINANCE MINISTRY

REF: TEL AVIV 6048

1. THE FINANCE MINISTRY COMMITTEE DEALING WITH ADMINISTERED  
TERRITORIES FINANCES IS DISCUSSING A PROPOSAL TO REFORM  
INCOME TAX LAWS IN THE WEST BANK AND THE GAZA STRIP.  
A FINANCE MINISTRY SOURCE EXPLAINED TO AN EMBOFF THAT,  
BECAUSE OF INFLATION, ADMINISTERED TERRITORY TAXPAYERS  
AUTOMATICALLY MOVE INTO HIGHER TAX BRACKETS WHEN THEIR  
NOMINAL INCOME RISES, EVEN THOUGH THEIR REAL INCOME IS  
UNCHANGED. THE REFORM WOULD INDEX THE TAX BRACKETS SO  
THAT THEY RISE WITH INFLATION, OTHERWISE, A RESIDENT OF  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 TEL AV 06401 270623Z

THE TERRITORIES WOULD FIND THAT HIS REAL TAX BURDEN  
RISES, EVEN THOUGH HIS REAL INCOME DOES NOT. (A SIMI-  
LAR REFORM WAS ADOPTED IN ISRAEL LAST YEAR.)

2. MIDDLE-INCOME WEST BANKERS AND GAZANS WHO ACTUALLY  
PAY TAXES WOULD BENEFIT IN REAL TERMS IF THE PROPOSED  
REFORM IS IMPLEMENTED. PERHAPS BY COINCIDENCE, THE

GAZA CITY MANAGER (WHO HAS GOOD WORKING RELATIONS WITH THE MILITARY GOVERNMENT) COMPLAINED RECENTLY TO EMBOFF WHILE RUNNING THROUGH A LITANY OF COMPLAINTS AGAINST THE ISRAELI ADMINISTRATION, THAT THERE HAD BEEN NO ADJUSTMENTS IN THE TAX STRUCTURE DESPITE INFLATION.

3. COMMENT: THE LEGAL FRAMEWORK IN THE OCCUPIED TERRITORIES RESTS ON A COMBINATION OF OTTOMAN DECREES, BRITISH MANDATE LAWS, JORDANIAN (ON THE WEST BANK) AND EGYPTIAN (GAZA/SINAI) LAWS, AND ISRAELI MILITARY GOVERNMENT REGULATIONS. PRECEDENT EXISTS FOR ISRAELI "ADJUSTMENTS" TO CURRENT ARAB LAWS; SPECIFICALLY, THE ISRAELIS EXTENDED THE VOTING FRANCHISE TO ARAB WOMEN ON THE WEST BANK FOR THE MUNICIPAL ELECTION OF 1976, ALTHOUGH THIS WAS NOT PROVIDED FOR BY PREVAILING JORDANIAN STATUTES. IF AS WE ANTICIPATE, THE TAX REFORM PROPOSAL IS ADOPTED WHEN STUDY COMPLETED, IT WOULD NO DOUBT BE PUBLICIZED BY THE ISRAELIS AS AN EQUALIZATION MEASURE IN NO WAY PREJUDICIAL TO THE ARABS' LEGAL STATUS.

LEWIS

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** WEST BANK, GOVERNMENT REFORM, TAX REFORMS, MILITARY OCCUPIED AREAS, STUDIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 27-Aug-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977TELAV06401  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770310-0788  
**Format:** TEL  
**From:** TEL AVIV  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770815/aaaaamfh.tel  
**Line Count:** 83  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 91d7df51-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION NEA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 TEL AVIV 6048  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 22-Mar-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1458002  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** TAX REFORM FOR TERRITORIES UNDER STUDY BY FINANCE MINISTRY  
**TAGS:** PGOV, EFIN, IS, JO, EG  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/91d7df51-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009